

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT

Resolution No. 8672 authorizing the execution of a one-year administrative services agreement with Premiera Blue Cross, in the amount of \$625,000 for 2014 medical and prescription drug third party administrative services.

FISCAL IMPACT

This action obligates the City to approximately \$625,000 over a one-year period (2014) for administration of the City's self-insured medical and prescription drug program. Vendor administration fees are based on enrollment; the actual fee may fluctuate slightly as enrollment changes.

The cost associated with this contract was anticipated in the 2013-2014 Health Benefits Fund budget and sufficient funds exist to fund this contract for administration of the City's self-insured medical and prescription drug program.

STAFF CONTACT

Michelle Robinson, Benefits Administrator, 452-4585
Human Resources Department

POLICY CONSIDERATION

City Contracting Policies:

- Bellevue City Code 4.28 provides for the fair and equitable treatment of persons in the purchasing process.
- Because the contract amount exceeds \$50,000, Council approval is required.

Shall the City engage Premiera Blue Cross for medical and prescription drug third party administrator services and enter into a one-year contract with Premiera Blue Cross?

BACKGROUND

Medical and prescription drug benefit coverage is provided as part of the City benefits package for staff. Historically, the City has retained third party administrators to pay claims under the City of Bellevue self-insured medical and prescription drug benefit programs.

Responsibilities of the third party administrator include:

- processes covered employee and dependent medical, hospital and prescription drug claims;
- negotiates and passes along to the City cost savings from discounts with contracted hospitals, labs and physicians;
- performs medical management;
- delivers disease management programs; and
- establishes and maintains a network of medical providers providing City employees with preferred costs and convenient access.

For 2013, the City conducted a competitive process with the assistance of the City's benefits broker, Gallagher Benefit Services. Selection criteria identified in the RFP included:

- a 4 year rate guarantee;
- ability to administer the current City of Bellevue medical and prescription drug plan designs;
- ability to process City of Bellevue claims electronically (adjudication); and
- online services and capabilities.

Proposals were received from the following medical claims third party administrators: Premera Blue Cross, Regence, Aetna, and CIGNA. Interviews were held with Premera Blue Cross, Regence, and Aetna. CIGNA was not interviewed as they did not satisfy the RFP requirements.

Premera was selected based on the following qualifications:

- they continue to have a large provider network;
- deep provider discounts;
- claims adjudication processing based upon accepted insurance industry practice;
- strong reporting capabilities; and
- excellent service to members.

The cost of this contract reflects a 2.6% rate increase over the 2013 contract.

EFFECTIVE DATE

If approved, this Resolution becomes effective immediately upon Council adoption.

OPTIONS

1. Adopt Resolution No. 8672 authorizing the execution of a one-year administrative services agreement with Premera Blue Cross in the amount of \$625,000 for 2014 medical and prescription drug third party administrative services.
2. Do not adopt Resolution No. 8672 and provide alternative direction to staff.

RECOMMENDATION

Adopt Resolution No. 8672 authorizing the execution of a one-year administrative services agreement with Premera Blue Cross in the amount of \$625,000 for 2014 medical and prescription drug third party administrative services.

MOTION

Move to adopt Resolution No. 8672 authorizing the execution of a one-year administrative services agreement with Premera Blue Cross in the amount of \$625,000 for 2014 medical and prescription drug third party administrative services.

ATTACHMENTS

Proposed Resolution No. 8672

AVAILABLE IN COUNCIL OFFICE

Copy of Premera Blue Cross Administrative Services Agreement

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 8672

A RESOLUTION authorizing execution of a one-year administrative services agreement with Premera Blue Cross in the amount of \$625,000 for 2014 medical and prescription drug third party administrative services.

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City Manager or his designee is hereby authorized to execute a one-year administrative services agreement with Premera Blue Cross in the amount of \$625,000 for 2014 medical and prescription drug third party administrative services, a copy of which administrative services agreement has been given Clerk's Receiving No. _____.

Passed by the City Council this _____ day of _____, 2013, and signed in authentication of its passage this _____ day of _____, 2013.

(SEAL)

Conrad Lee, Mayor

Attest:

Myrna L. Basich, City Clerk